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REPORTS

DATE:

10/30/1999

GPII Energy, Inc.

Langlie Jal Unit Operational Maintenance and Inspection Plan

for the

N.M.P.M.
S8 T25S R37E
Lea County, New Mexico

October 30, 1999

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1. OPERATIONAL MAINTENANCE AND INSPECTION PLAN OBJECTIVE

The objective of this plan is to eliminate/minimize environmental releases of production fluids, i.e., produced water, injection water, and crude oil to the environment from the Langlie Jal Unit (LJU) Injection and Production System. The playa located to the east represents a sensitive ecology that is susceptible to damage by encroachment of these fluids and is therefore the focus of this plan. Likewise, ground water in the area is also susceptible.

1.1 LJU Engineering Controls

The water injection system and production handling facility located up gradient and to the west of the playa has existing controls designed to eliminate/minimize fluid releases beyond the facility boundary.

1.1.1 Security

The Battery location fence encloses bulk oil and water storage tanks, injection pumps, flow lines, and associated valves and piping and is a deterrent to unauthorized entry.

1.1.2 Containment Structures

Within the fenced area a 4-foot perimeter berm has been constructed to contain catastrophic releases of fluids.

1.1.3 Shutdown Systems

The high-pressure water flood injection system is equipped with a high/low pressure discharge shutdown to protect the equipment and also minimize releases due to pipe failure.

1.1.4 Bulk Storage Tank Overflow Controls

Oil storage tanks are equipped with equalizing lines designed to accommodate single tank over filling and prevents crude oil releases to the bermed area.

1.1.5 Wellhead Controls

LJU well #82 is equipped with a high flowline pressure shutdown to protect equipment and minimize stuffing box and flowline leaks.

1.2 Current Operational Controls

Each 24-hour period, the lease operator monitors production and injection rates and verifies the viability and operability of installed and constructed engineering controls. A visual survey of system piping at the facility and of the flow lines along the regular driving route is also made.

1.3 Lease Operator Training

The GPII lease operator will be oriented and trained in facility operations, safety protocols, and contingency by an experienced operator or Operations Foreman. This training will be documented by a written statement to that affect and signed by both individuals. An "Lease Operator Orientation and Operational Training Affidavit" is included as Attachment A.

1.4 Weekly Inspection and Maintenance Report

To document visual observations of the LJU Battery system and flow lines, a "Weekly LJU Facility Inspection and Maintenance Report," will be completed by the lease operator and submitted to the Operations Foreman for review and filing. All flow lines will be driven or walked out, checking for leaks on a weekly basis with the status being recorded. The "Weekly LJU Facility Inspection and Maintenance Report" is included as Attachment B and will be revised as necessary to accommodate facility changes.

Attachment A

Lease Operator Orientation and Training Affidavit

Lease Operator Orientation and Training Affidavit

I, _____, have been duly informed and oriented in the process and safe operation of the Langlie Jal Unit Facility systems and equipment, as well as, my duty to perform daily and weekly visual inspections and functional tests of shutdown devices and complete the "Weekly LJU Facility Inspection and Maintenance Report." All equipment and system failures and environmental releases of production fluids will be communicated immediately to the Operations Foreman.

Date: _____

Lease Operator's Signature

Operations Foreman's Signature

Attachment B

Weekly LJU Inspection and Maintenance Report

GPII Energy LJU Weekly Inspection and Maintenance Report

| Report Date: | | Status (Circle) | | Comments |
|---------------------------------|--------------|-----------------|--------------|----------|
| Security | Fence | OK | Needs Repair | |
| Containment | Berm | OK | Needs Repair | |
| Tank Battery | Overflows | OK | Needs Repair | |
| | Tanks | OK | Needs Repair | |
| Shutdowns Functional Test | _____ Pump | OK | Needs Repair | |
| | _____ Pump | OK | Needs Repair | |
| | _____ Pump | OK | Needs Repair | |
| | _____ Pump | OK | Needs Repair | |
| | _____ Pump | OK | Needs Repair | |
| Valves Stem Leaks | _____ Valve | OK | Needs Repair | |
| | _____ Valve | OK | Needs Repair | |
| | _____ Valve | OK | Needs Repair | |
| | _____ Valve | OK | Needs Repair | |
| | _____ Valve | OK | Needs Repair | |
| | _____ Valve | OK | Needs Repair | |
| | _____ Valve | OK | Needs Repair | |
| | _____ Valve | OK | Needs Repair | |
| | _____ Valve | OK | Needs Repair | |
| | _____ Valve | OK | Needs Repair | |
| | _____ Valve | OK | Needs Repair | |
| Flowlines Leaks Corrosion | _____ line | OK | Needs Repair | |
| | _____ line | OK | Needs Repair | |
| | _____ line | OK | Needs Repair | |
| | _____ line | OK | Needs Repair | |
| | _____ line | OK | Needs Repair | |
| | _____ line | OK | Needs Repair | |
| #82 Wellhead | Stuffing Box | OK | Needs Repair | |
| | HP Shutdown | OK | Needs Repair | |

Lease Operator's Signature: _____

Operations Foreman Signature: _____